

Service Date: December 13, 1977

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application of)
the SHELBY GAS ASSOCIATION for)
Authority to Increase Rates and)
Charges for Natural Gas Service.)

Docket No. 6512
Order No. 4354b

TEMPORARY RATE ORDER

FINDINGS OF FACT

1. On June 10, 1977, SHELBY GAS ASSOCIATION made application to this Commission for authority to increase rates in order to offset increased gas costs charged by The Montana Power Company as a result of Docket No. 6454.

2. Shelby Gas Association purchases one hundred per cent (100%) of its gas from The Montana Power Company.

3. On June 9, 1977, this Commission granted Montana Power Company a temporary increase in its natural gas rates. Included in the temporary rate increase order was authorization to increase charges to Montana Power's small utility customers.

4. On November 1, 1977, the Commission's Order No. 4350a in Docket No. 6454 granted Montana Power Company a second temporary natural gas rate increase.

5. Order No. 4350b resulted in a corresponding expense increase to Shelby Gas Association.

6. On November 4, 1977, the District Court for the First Judicial District of the State of Montana issued an Order in the appeal by the Anaconda Company and Ideal Cement Company of this Commission's Order No. 4220C in Docket No. 6348. Judge Meloy's Order found that the Commission had before it no evidence of record upon which to base the volumetric revenue allocation directed by

Order No. 4220C. The Court held that "because the record is devoid of evidence sufficient to support the allocation imposed by the Commission Order, the Commission is directed to allocate on the basis of the status quo prior to the entry of Order No. 4220C, and such allocations shall apply until the Commission, if it so decides, shall re-open the proceedings and receive evidence sufficient to support a different allocation method if such evidence is available."

7. Pending the complete evaluation of evidence in Docket No. 6454 and the issuance of the final Order, the Commission is constrained by the Court's holding invalid of the revenue allocations used in Order No. 4220C to allocate the revenue increases granted in that and subsequent orders on a uniform percentage basis, as proposed by Applicant, with the exception of revenue increases granted for the purposes of offsetting increase gas supply costs which shall continue to be allocated on a volumetric basis as they were prior to Order No. 4220C.

8. On December 1, 1977, the Commission's Order No. 4220D in Docket No. 6348 changed the method of revenue allocation to Montana Power customers to be consistent with that prescribed in the Order of the Court. Order No. 4350C in Docket No. 6454 was issued the same day in order to comply with the intent of that Court Order. Both Order No. 4220D and Order No. 4350B apply uniform percentage revenue allocations in place of the volumetric allocation originally used.

9. Order No. 4220D and Order No. 4350C will result in an expense decrease to the Shelby Gas Association.

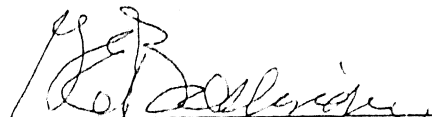
CONCLUSIONS OF LAW

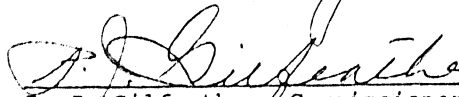
1. Under R.C.M. 1977, Sec. 70-113, the Commission has authority to order a rate decrease on a temporary basis.
2. The cumulative impact on Shelby Gas Association's gas costs of the various orders issued to Montana Power in Docket No. 6454 will be dealt with in a proposed public hearing following the entry of the final Order in Docket No. 6454.


ORDER

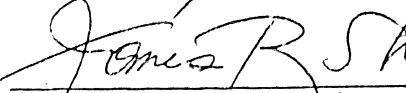
1. The Shelby Gas Association is ordered to decrease its rates in an amount identical to its gas cost decreases resulting from Order No. 4220D and Order No. 4350B, and to file tariffs and supporting calculations.
2. The decreased rates should be effective on meter readings on and after January 1, 1977.

DONE IN OPEN SESSION by a vote of 4-0 at a meeting of the Public Service Commission held December 6, 1977.

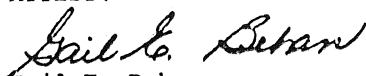

Gordon E. Bollinger, Chairman


P. J. Gilfeather, Commissioner


Thomas J. Schneider, Commissioner


James R. Shea, Commissioner

ATTEST:


Gail E. Behan
Secretary

(SEAL)

NOTICE: You are entitled to judicial review of this Order. Judicial review may be obtained by filing within thirty (30) days from the service of this Order a petition for review pursuant to Section 82-4216, RCM 1947.